

dated November 25, 2003¹. All the facilities included in the Sale Agreement are located in Thurston County, Washington, twelve miles northeast of Centralia.

- 4 The dam was constructed in 1973 as a water storage facility for the Centralia Steam Plant and includes a generating plant with a capacity of one megawatt added in 1991. Because the Project has been operated for purposes of supplying cooling water to the Centralia Steam Plant, the average annual production over the last few years has been 3,000 megawatt-hours. In accordance with 16 U.S.C. §2705(d), which allows exemptions for facilities less than 5MW, the Federal Energy Regulatory Commission ("FERC") has exempted the Project from licensing as a hydroelectric facility. Historically, all the power from the Project has been sold to PSE, which owns and operates the adjacent electrical transmission and distribution system. The wholesale purchase agreement with PSE expired several years ago and sales since then have been made without a contract.
- 5 Washington LLC will continue operation of the Project to provide cooling water supply to the Centralia Power Plant and to produce power from the Project either as an EWG or as a qualifying facility under the Public Utility Regulatory Policies Act of 1978 (PURPA).
- 6 Washington LLC cannot process its EWG application with the FERC until the jurisdictional regulatory commissions have made certain determinations required by section 32 of PUHCA. The three determinations necessary for Washington LLC to become an EWG are that allowing the facility to become an eligible facility: (1) will benefit consumers, (2) is in the public interest, and (3) does not violate Washington State law.

¹ The Owners have advised the Commission that as of the date of the application, all of the Owners except the city of Seattle had executed the Sale Agreement. It is anticipated that the city of Seattle will execute the Sale Agreement by March 31, 2004.

- 7 The aggregate sales price of the Skookumchuck Project is \$7,570, 373.16, to be adjusted for changes in PacifiCorp's net book value from September 30, 2003, to the closing date of the transaction. Actual figures will not be known until the transaction closes. Avista's share of this amount is 17.5 percent, or approximately \$1.32 million prior to closing costs. The Company projects that the sale will result in a small after-tax gain. Although the sales price of the Project is based on PacifiCorp's net book value, Avista shows an after-tax gain due to earlier retirement of a portion of its Skookumchuck facilities.
- 8 Avista expects that the Washington 66.99 percent jurisdictional share of the after-tax gain upon completion of the transaction will be approximately \$440,000. The Company proposes to allocate the gain between ratepayers and shareholders in the same manner as Avista's after-tax gain of the sale of the Centralia Power Plant in Dockets Nos. UE-991255 and UE-000080.
- 9 Avista proposes that the ratepayers' portion of the Skookumchuck Project gain be applied against the demand side management ("DSM") tariff rider balance. This proposal is consistent with the methodology of handling the residual balance associated with the pass-through of the gain on the sale of the Centralia Power Plant approved in the Fifth Supplemental Order Approving Centralia Gain Bill Credit Compliance Tariff in Docket Nos. UE-991606 and UG-991607 dated November 21, 2000.
- 10 The projected cost of power from the Project exceeds Avista's projected market price of power, thus the Company's forecast predicts that the ratepayers will see lower costs if the Project is sold. In addition, the proposed transaction eliminates the risk that Avista will be required to fund its share of expenditures for ensuring the structural integrity of the Skookumchuck dam. The benefits from the proposed sale therefore outweigh the risks and costs of continuing to own and operate the project.

- 11 The Company states that the sale of 1 MW plant with only 3,000 MWhs of annual output will not affect competitive markets and consequently it will not harm the public interest.
- 12 Avista requests that the Commission enter its Order on an expedited basis, so that Washington LLC can process its EWG application with the FERC and the transfer can be completed.

FINDINGS AND CONCLUSIONS

- 13 (1) The Washington Utilities and Transportation Commission has jurisdiction over Avista and the sale of assets associated with the Skookumchuck Project, the subject matter of this proceeding. *Chapter 80.12 RCW and Chapter 480-143 WAC.*
- 14 (2) Avista is engaged in the business of furnishing electricity and gas service within the state of Washington as a public service company subject to the jurisdiction of the Commission.
- 15 (3) The terms and conditions of the transaction are set forth in the Skookumchuck Facilities Purchase and Sale Agreement between the Owners and Washington LLC, dated November 25, 2003.
- 16 (4) The request for approval authorizing the sale of facilities in accordance with Chapter 480-143 WAC is reasonable and consistent with the public interest and the Commission should grant Avista's request.
- 17 (5) Allowing Washington LLC to purchase and operate the Skookumchuck Project as an EWG will benefit consumers and is in the public interest. Under these conditions, allowing the purchaser to operate the Skookumchuck Project as an EWG would not violate state law.

- 18 (6) This matter was brought before the Commission at its regularly scheduled
open meeting on March 12, 2004.
- 19 (7) It is consistent with the public interest that the Commission grant Avista's
request for authorization to sell the assets associated with the
Skookumchuck Project.

ORDER

- 20 (1) THE COMMISSION GRANTS the petition of Avista Corporation for
authorization to sell and transfer the Company's interest in the
Skookumchuck dam, hydroelectric facility, and related assets substantially
in accordance with the Sale Agreement.
- 21 (2) The Commission determines that allowing the Skookumchuck Project to
become an eligible facility under Section 32(c) of the Public Utility Holding
Company Act of 1935 (PUHCA) (1) will benefit consumers, (2) is in the
public interest and (3) does not violate Washington State law.
- 22 (3) Avista shall allocate any gain resulting from the transaction between
ratepayers and shareholders in the same manner as the Company's after-
tax gain of the sale of the Centralia Power Plant in Dockets Nos. UE-
991255 and UE-000080. The estimated portion of the Skookumchuck gain
allocated to ratepayers shall be applied to the demand side management
("DSM") tariff rider balance.
- 23 (4) This Order shall in no way affect the authority of the Commission over
rates, services, accounts, evaluations, estimates, or determination of costs
on any matters whatsoever that may come before it, nor shall anything
herein be construed as acquiescence in any estimate or determination of
costs claimed or asserted.

- 24 (5) The Commission retains jurisdiction over the subject matter and Avista to effectuate the provisions of this Order.

The Commissioners, having determined this order to be consistent with the public interest, directed the Secretary to enter this Order.

DATED at Olympia, Washington, and effective this 12th day of March, 2004.

WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION

CAROLE J. WASHBURN, Secretary